

REPORT BY THE  
AUDITOR GENERAL  
OF CALIFORNIA

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**CHILD SUPPORT ENFORCEMENT:  
COUNTIES ARE NOT PROPERLY CALCULATING  
OR RESTRICTING THEIR EXCESS REVENUE**

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**Child Support Enforcement:  
Counties Are Not Properly Calculating  
Or Restricting Their Excess Revenue**

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**P-820, April 1990**

**Office of the Auditor General  
California**



Kurt R. Sjoberg, Acting Auditor General

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**State of California**  
**Office of the Auditor General**  
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April 12, 1990

P-820

Honorable Elihu M. Harris, Chairman  
Members, Joint Legislative Audit Committee  
State Capitol, Room 2148  
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning the Department of Social Services' need to ensure that counties properly calculate their excess revenue and establish a reserve account to restrict the use of their excess revenue solely for child support enforcement activities.

Respectfully submitted,

KURT R. SJOBERG  
Acting Auditor General

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## Summary

**Results in Brief** The Department of Social Services (department) is responsible for the overall supervision of the Child Support Enforcement Program in California. District attorneys in each county administer the program locally, enforcing court orders for child support payments and collecting those payments. To encourage counties to maximize their collections of child support payments, the state and federal governments provide incentive payments to the counties. During our review of how four counties account for the incentive payments they received that exceeded their cost of administering the program, commonly referred to as “excess revenue,” we noted the following conditions:

- One county was not calculating its excess revenue as required by the State’s “Accounting Standards and Procedures for Counties”;
- Three counties are not restricting the use of their excess revenue to financing only future child support enforcement activities, as required by law;
- The department has neither reviewed the counties’ calculations of excess revenue nor determined whether counties have established accounts to restrict their use of excess revenue; and
- The State’s instructions to the counties for calculating excess revenue need revision.

**Background** Title IV-D of the federal Social Security Act and Section 11475 of the state Welfare and Institutions Code authorize state and county governments to establish a Child Support Enforcement Program. Through this program, counties in California locate absent parents, establish paternity and obtain and enforce court-ordered child support payments for both welfare and nonwelfare families. The Department of Social Services has the overall responsibility of administering the program. The Child Support Program Branch within the department is responsible for managing, planning, monitoring, and evaluating the enforcement activities carried out by county district attorneys' offices throughout the State.

Child support payments the counties collect for nonwelfare families are distributed directly to the families whereas payments they collect for welfare families are used to offset the federal, state, and county costs of the welfare program. In this manner, child support collections reduce welfare costs for all levels of government.

To maximize child support collections, the state and federal governments provide incentive payments to the counties. For example, in fiscal year 1988-89, the State provided incentive payments totaling \$16,008,545, and the federal government provided incentive payments totaling \$28,007,850.

**Excess  
Revenue Is  
Not Properly  
Calculated and  
Not Restricted  
As Required**

We found that at least four counties in California have accumulated excess revenue as of June 30, 1989. Three of these counties have calculated their excess revenue to be substantially more than the amount we determined they had accumulated. Further, lacking specific guidance on how to calculate excess revenue, these counties used different methods to calculate their excess revenue. Even though required by the State, one county was not calculating its excess revenue, and three of the four counties have not established the required accounts to restrict the use of their excess revenue.

In addition, the department has neither reviewed the counties' calculations nor determined whether the counties established reserve or designation accounts to restrict the use of their excess revenue. As a result, the department and these counties lack assurance that the excess revenue the counties receive will be appropriated and used solely for child support enforcement activities, as required by law. Lastly, we believe that it is more appropriate for counties to use reserve accounts to restrict their excess revenue than designation accounts, as state requirements currently permit.

**Recommendations**

To ensure that counties comply with Sections 15200.1 and 15200.2 of the Welfare and Institutions Code, the department should take the following actions:

- Request the State Controller's Office to modify Section 19.52 of the "Accounting Standards and Procedures for Counties" to specify the types of revenues and expenses that counties should include in the formula for calculating excess revenue;
- Inform counties that they must establish reserve accounts to restrict their excess revenue solely to financing future child support enforcement activities; and
- Periodically review the counties to ensure that they are properly calculating their excess revenue and are restricting the use of the excess revenue to financing future child support enforcement activities.

**Agency Comments**    The Department of Social Services agrees that the State's instructions to the counties for calculating excess revenue need to specify the type of revenues and expenditures that should be used in the calculation and that the instructions need to require counties to establish reserve accounts to restrict their excess revenue. The department also agrees that it needs to periodically review the counties to ensure that they properly calculate and restrict their excess revenue.



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## Introduction

Title IV-D of the federal Social Security Act and Section 11475 of the state Welfare and Institutions Code authorize state and county governments to establish a Child Support Enforcement Program. The purpose of the program is to prevent, reduce, or eliminate dependency on the welfare system by locating absent parents, establishing paternities, enforcing court-ordered child support payments, and collecting those payments. The district attorney's office in each county administers the program locally.

In California, the Child Support Program Branch within the Department of Social Services (department) has the overall responsibility of supervising the statewide Child Support Enforcement Program. The Child Support Program Branch is composed of two bureaus, the Child Support Management Bureau and the Child Support Operations Bureau. The Child Support Management Bureau is responsible for developing and disseminating policies for all fiscal, operational, statistical, and administrative matters. The Child Support Operations Bureau is responsible for evaluating and monitoring counties' compliance with federal and state laws and regulations.

### **Plan of Cooperation**

To identify the respective roles and responsibilities of the State and the counties in administering the Child Support Enforcement Program, the department and each county district attorney have entered into a Plan of Cooperation. The Plan of Cooperation

states that the department is responsible for informing the counties of federal and state policies, as well as of standards and procedures for administering the Child Support Enforcement Program. In addition, the plan states that the department is responsible for monitoring and evaluating county operations and for invoking sanctions when counties fail to comply with the requirements of the plan.

The Plan of Cooperation further requires counties to maintain an organizational unit to efficiently and effectively administer the Child Support Enforcement Program in their respective counties. Specifically, the counties' responsibilities include attempting to locate absent parents, establishing paternity when necessary, obtaining and enforcing court-ordered support obligations, compiling complete and accurate statistical and financial data, and reporting this data to the department.

Child support payments that county district attorneys collect for nonwelfare families are distributed directly to the families whereas payments they collect for welfare families, that is, families receiving assistance through the Aid to Families with Dependent Children (AFDC) program, are used to offset the federal, state, and county costs of the AFDC program. In this manner, child support collections reduce the AFDC costs expended by all levels of government. In fiscal year 1988-89, counties collected \$241,527,842 for nonwelfare families and \$235,076,553 for welfare families.

The federal government provides funds to offset the counties' costs of administering the Child Support Enforcement Program. In federal fiscal year 1984-85 through fiscal year 1986-87, the federal government reimbursed 70 percent of the costs that counties incurred while administering the Child Support Enforcement Program. In federal fiscal years 1987-88 and 1988-89, the reimbursement rate was reduced to 68 percent of the costs. The federal government reimbursed counties for costs totaling \$107,107,980 in fiscal year 1988-89.

**Incentive  
Payments**

To encourage counties to maximize their collections of child support payments, the state and federal governments provide incentive payments to the counties. The different types of incentive payments counties may receive are described in Sections 15200.1, 15200.2, 15200.3, 15200.6, and 15200.7 of the Welfare and Institutions Code. In fiscal year 1988-89, the State provided incentive payments totaling \$16,008,545, and the federal government provided incentive payments totaling \$28,007,850.

The incentive payments counties receive under Sections 15200.1, 15200.2, and 15200.3 are based upon each county's collections of child support payments. Section 15200.1 provides federal and state incentives based upon collections the counties make within the State of California. Section 15200.2 provides federal and state incentives for collections the counties receive from other states and for collections the counties distribute to other states. Section 15200.3 provides federal and state incentive payments for collections of support payments for nonfederally funded foster care. Section 15200.6 authorizes the State to pay counties a \$90 incentive for each child for whom the county establishes paternity. Section 15200.7 provides a bonus incentive to the counties based upon the increase in statewide collections from one fiscal year to the next.

Effective January 1, 1985, Chapter 1086, Statutes of 1984, amended the Welfare and Institutions Code, restricting how counties can use the incentive payments they receive under Sections 15200.1 and 15200.2. The amended code provides that any incentive payments paid to a county under these two code sections that exceed the county's cost of administering the Child Support Enforcement Program shall be used to support the child support enforcement activities of the county's district attorney. Hereafter, we will refer to the amount of incentive payments that exceeds the county's cost of administering its Child Support Enforcement Program as "excess revenue."

**Scope and Methodology**

The purpose of this audit was to determine if counties were using their excess revenue as Sections 15200.1 and 15200.2 of the Welfare and Institutions Code require. In addition, we determined whether counties were accounting for their excess revenue as the State Controller's Office requires. We visited the district attorneys' offices in four counties: Alameda, Fresno, Riverside, and San Bernardino. At these counties we reviewed the incentive payments they received and the costs they incurred while administering the Child Support Enforcement Program between January 1, 1985, and June 30, 1989. We also interviewed staff at the district attorney's office, the county administrator's office, and the auditor-controller's office in the four counties.

To calculate a county's excess revenue, we used the formula outlined in Section 19.52 of the "Accounting Standards and Procedures for Counties," issued by the State Controller's Office. Following the formula, we added the amount of funds a county received from the federal government to offset the cost of administering the Child Support Enforcement Program and the incentive payments the county received pursuant to Sections 15200.1 and 15200.2 of the Welfare and Institutions Code. From this total, we subtracted the county's total cost of administering the Child Support Enforcement Program, including overhead, to arrive at the amount of excess revenue the county had accumulated.

Using this formula and cost and revenue data we obtained from the department, we determined how much excess revenue each of the four counties in our sample had accumulated from January 1, 1985, through June 30, 1989. During our site visit at each of the four counties, we reconciled our calculation of excess revenue with the amount each county had calculated, and we identified the cause for any differences between our calculation and the county's calculation.

In addition, we determined whether the counties had established an account to restrict the use of their excess revenue. To determine whether those counties that established such a restriction had expended their excess revenue on the child support enforcement

activities of the district attorney's office, we reviewed the counties' audited financial reports, financial records at the district attorney's office, and any proposals that the counties developed for using their excess revenue.

Further, we reviewed the financial statements for fiscal year 1987-88 that each of the State's remaining 54 counties submitted to the State Controller's Office to determine the number of counties that had established an account to restrict the use of their excess revenue solely for child support enforcement activities.

Finally, we discussed our findings with representatives from the department and with officials at each of the four counties we visited and considered their comments in preparing this report.

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## **Chapter 1    Some Counties Are Not Properly Calculating Their Excess Revenue and Are Not Restricting the Use of Their Excess Revenue**

### **Chapter Summary**

As of June 30, 1989, at least four counties in California have accumulated excess revenue. Three of these counties calculated substantially higher excess revenue than the amounts we determined that they had accumulated. Moreover, lacking specific guidance on how to calculate their excess revenue, the counties used different methods. Even though required by the State, one county was not calculating its excess revenue, and three of the four counties have not established accounts to restrict the use of their excess revenue. Furthermore, the Department of Social Services (department) has neither reviewed the counties' calculations nor determined whether the counties have established reserve or designation accounts to restrict the use of their excess revenue. As a result, the department and these counties lack assurance that the excess revenue the counties receive will be appropriated and used solely for child support enforcement activities. Lastly, we believe that it is more appropriate for counties to use reserve accounts to restrict their excess revenue than designation accounts, as state requirements currently permit.

### **Excess Revenue Accumulated by Counties**

Data compiled by the Child Support Management Information System (CSMIS) of the department indicates that 30 counties appear to have accumulated excess revenue from July 1, 1985, to March 31, 1989. However, the data available through CSMIS have limited usefulness for identifying counties that actually have excess revenue or for identifying the exact amount of any county's excess revenue. For example, the CSMIS reports only the total of

all incentives that a county receives and does not separately identify the amount of each type of incentive payment that a county receives pursuant to the five applicable sections of the Welfare and Institutions Code. As a result, we could not determine the exact amount of incentive payments the counties received pursuant to Sections 15200.1 and 15200.2 of the Welfare and Institutions Code. Consequently, we selected for further analysis the four counties that appeared to have accumulated the larger amounts of excess revenue. These four counties are Alameda, Fresno, Riverside, and San Bernardino.

By examining detailed records at the department and financial records at each of the four counties, we confirmed that all four counties did accumulate excess revenue from January 1, 1985, through June 30, 1989. However, the amounts were significantly less than the amounts indicated by our analysis of the CSMIS data. For example, the CSMIS data show that Riverside County accumulated excess revenue of \$1,355,210, and our calculation using detailed records obtained at the department indicates that Riverside County accumulated excess revenue of only \$437,997.

The following table shows the incentive payments the four counties received pursuant to Sections 15200.1 and 15200.2 of the Welfare and Institutions Code, the counties' share of the costs of administering the Child Support Enforcement Program, and our calculation of the excess revenue each county had accumulated as of June 30, 1989.

**Table 1 Office of the Auditor General's Calculation of Excess Revenue Accumulated From January 1, 1985 Through June 30, 1989**

	Alameda	Fresno	Riverside	San Bernardino
Incentives	\$10,399,471	\$ 8,449,762	\$ 7,655,045	\$12,236,756
Federal reimbursement	21,250,660	14,622,751	14,426,006	18,025,130
Total administrative costs	31,318,132	21,570,694	21,643,054	26,516,489
County share of administrative costs	10,067,472	6,947,943	7,217,048	8,491,359
Excess revenue	331,999	1,501,820	437,997	3,745,398

**Counties' Method for Calculating Excess Revenue**

Section 19.52 of the "Accounting Standards and Procedures for Counties" requires counties to calculate their excess revenue annually. Of the four counties we visited, three are calculating their excess revenue each year; however, the amounts calculated by each of the three counties exceeded the amounts we calculated. Table 2 shows a comparison of the amounts of excess revenue that the counties calculated for the period January 1, 1985, through June 30, 1989, and the amounts that we calculated for the same period.



**Table 2      Comparison of Excess Revenue Calculated by the Counties  
and the Office of the Auditor General From  
January 1, 1985 Through June 30, 1990**

	Alameda	Fresno	Riverside	San Bernardino
County's calculation	\$445,826	\$3,822,831	\$1,453,123	NA <sup>a</sup>
Office of the Auditor General's calculation	331,999	1,501,819	437,997	3,745,397

<sup>a</sup>San Bernardino County does not calculate its excess revenue.

Our calculations differ from the counties' calculations primarily because the counties include in their calculations incentive payments and various other types of revenue they receive that state law does not specifically require them to restrict solely for their child support enforcement activities. For example, Alameda County includes all the incentive payments it receives pursuant to the five sections of the Welfare and Institutions Code rather than just those incentive payments it receives pursuant to Sections 15200.1 and 15200.2, as the State Controller's Office requires. In addition, Alameda County includes revenue it recovers for attorneys' fees and blood tests.

Although counties may receive incentive payments pursuant to five different sections of the Welfare and Institutions Code, a legal opinion issued by the Legislative Counsel states that the counties are required to restrict the use of only those incentive payments they receive pursuant to Sections 15200.1 and 15200.2 of the code. The incentive payments the counties receive pursuant to Sections 15200.3, 15200.6, and 15200.7 do not have to be restricted for use by the district attorneys' offices for future child support enforcement activities.

Riverside County also includes all the incentives it receives when it calculates excess revenue. However, rather than calculating its excess revenue based on the actual incentive payments it receives, Riverside County calculates the incentives it expects to receive based on its total child support collections. In addition, the county does not reconcile its estimated incentive calculations with the actual incentive payments it receives.

Riverside County also calculates its excess revenue by estimating the amount of funds it will receive from the federal government to offset its cost of administering the Child Support Enforcement Program. Similar to its treatment of incentive payments, it does not reconcile its estimated federal reimbursements after the department notifies it of the exact amount of federal funds the county will receive. Further, when Riverside County estimates the amount of these funds, it improperly uses costs that are not attributable to its child support enforcement activities. For example, in fiscal year 1988-89, Riverside County included \$100,490 for costs that are not costs of the child support program and that do not qualify for federal reimbursement. As a result, Riverside County's calculation of its excess revenue is inaccurate.

In contrast, in its calculation of excess revenue, Fresno County includes only the incentive payments it receives pursuant to Sections 15200.1 and 15200.2 of the Welfare and Institutions Code. In addition, Fresno County includes only the funds it receives from the federal government to offset the county's cost of administering the Child Support Enforcement Program. Finally, Fresno County excludes costs that the district attorney's office incurs for services other than child support enforcement. However, the amount of excess revenue Fresno County calculated differs from our calculation.

The two calculations differ primarily because Fresno County accrued the amount of incentive payments it earned but has not yet received whereas our calculation does not include these payments. We did not include accrued incentive payments in our calculation because the law specifies that counties should include

the amounts paid, not amounts that the counties have earned but have not yet received. The two calculations differ also because Fresno County deducts overhead costs and related federal reimbursements from its total cost of administering the Child Support Enforcement Program. This results in a lower cost figure, which, in turn, increases the county's excess revenue figure.

San Bernardino is the one county in our sample that has not been calculating its excess revenue. As a result, the county cannot determine whether it has any excess revenue that it should restrict solely to financing future child support enforcement activities. The district attorney for San Bernardino County stated that the county will take the appropriate action to ensure proper tracking of costs and revenues. In addition, the district attorney stated that the calculation of excess revenue has been implemented for fiscal year 1989-90.

**Counties'  
Failure  
To Restrict  
Excess  
Revenue**

In addition to requiring counties to calculate their excess revenue at the end of each fiscal year, the "Accounting Standards and Procedures for Counties," issued by the State Controller's Office, requires counties to establish either reserve accounts or designation accounts to restrict the use of their excess revenue. Both types of accounts reduce the amount in a fund that is available for appropriation. How these two accounts differ is discussed later in this report.

Three of the four counties in our sample--Alameda, Riverside, and San Bernardino--have not established accounts to reserve or designate their excess revenue. The remaining county, Fresno, had not restricted the use of its excess revenue until fiscal year 1986-87 when it established a designation for the Child Support Enforcement Program.

The three counties that do not restrict the use of their excess revenue deposit the incentive payments they receive into the counties' general funds with no limitation as to how the funds may be used.

In addition to the four counties we visited, we analyzed expenditure and revenue data for the remaining 54 counties in the State. Based upon our analyses using data from the CSMIS, we determined that 26 of these 54 counties appeared to have accumulated excess revenue from July 1, 1985, through March 31, 1989. Upon reviewing the financial statements that these counties submitted to the State Controller's Office, we found that 25 of the 26 counties had not established reserve or designation accounts to restrict the use of their excess revenue.

Because some counties have not established reserve or designation accounts to restrict the use of an amount in their general funds that is equal to their excess revenue, they cannot ensure that their excess revenue will be appropriated only to finance their child support enforcement activities, as required by law. For example, based upon our calculations, San Bernardino County, which did not establish a reserve or designation account for its excess revenue, had accumulated excess revenue equal to \$3,745,398 at the end of fiscal year 1988-89. However, the county did not restrict these funds, so it included them in the total amount it appropriated for general fund expenditures in the following fiscal year.

If counties appropriate their excess revenue for general use, these counties are at risk of spending their excess revenue for other county programs. Consequently, they may not retain sufficient balances in their general funds that are equal to or exceed the amount of their excess revenue. However, this did not occur at the four counties we visited. Although the three counties in our sample had not established accounts to restrict the use of their excess revenue, the unreserved fund balances in their general funds at the end of fiscal year 1987-88, the last year for which audited financial data is available, exceeded the amount of excess revenue the counties should have restricted.

For example, according to the county's records, Alameda County had accumulated excess revenue totaling \$829,146 from January 1, 1985, through June 30, 1988. This excess revenue was not restricted for child support enforcement activities; rather, it was deposited in the county's general fund. However, according to the county's financial statements for the year ended June 30, 1988, the latest year for which audited financial data is available, the county's general fund had an unreserved fund balance of \$43,173,683, an amount that is much higher than the excess revenue the district attorney's office had accumulated at that time.

**Reasons  
for Not  
Establishing  
a Reserve or  
Designation  
Account**

The assistant district attorney for Riverside County stated that his county has not adopted either a reserve or designation account to restrict the use of its excess revenue because he believes the county is complying with the intent of Sections 15200.1 and 15200.2 of the Welfare and Institutions Code by reinvesting the excess revenue back into the county's child support enforcement activities. According to the assistant district attorney, the county reinvests when it increases its child support budget appropriation for the following fiscal year by an amount exceeding any excess revenue the county accumulated during the previous fiscal year.

As a result of our audit, San Bernardino's district attorney stated that the county administrator's office has agreed that the auditor-controller's office will establish a reserve or designation account restricting the county's excess revenue for use solely by the child support division to finance future child support enforcement activities.

**The  
Department  
Has Not  
Monitored  
Excess  
Revenue**

The department has neither reviewed the counties' calculations of excess revenue nor determined whether the counties have established a reserve or designation account to restrict the use of their excess revenue. Although the Plan of Cooperation requires the department to administer, supervise, and monitor the Child Support Enforcement Program, the chief of the Child Support Program Branch stated that the department did not review the counties' compliance because the department believed that the State Controller's Office would conduct such a review as part of its annual single audit or through some other mechanism.

According to the chief of the Child Support Program Branch, the State Controller's Office agreed to develop and implement accounting controls both to identify and monitor excess revenue. Although the State Controller's Office published guidance for counties to calculate and restrict excess revenue, the chief of the Division of Audits at the State Controller's Office stated that the detail included in the single audit is not sufficient for staff at the State Controller's Office to review the counties' calculations of excess revenue.

**Instructions to  
Counties Need  
Revision**

Even though Section 19.52 of the "Accounting Standards and Procedures for Counties" requires counties to calculate their excess revenue each year, it only suggests a method that counties can use to perform the calculation. Consequently, as we discussed earlier, counties are using different methods to determine the amount of excess revenue they have accumulated. Moreover, the amounts the counties are calculating differ significantly from the amounts that the law requires the counties spend on their child support enforcement activities.

In addition, the instructions to counties issued by the State Controller's Office allow counties the option of establishing either a reserve or designation account to restrict the use of the excess revenue. This option does not seem appropriate, however, because of the distinct difference in how these two types of accounts are to be used.

According to Section 8.26 of the “Accounting Standards and Procedures for Counties,” a reserve is an account used to earmark a portion of a fund’s balance that is legally or contractually restricted for a specific use. In contrast, Section 8.26 defines a designation as an account used to earmark a portion of a fund’s balance to indicate management’s tentative plans for using the fund’s resources. Because Sections 15200.1 and 15200.2 of the Welfare and Institutions Code legally restrict how counties may use their excess revenue, it appears that counties should establish a reserve account and not a designation account for their excess revenue. If county officials decide to include in their calculations of excess revenue amounts exceeding the amount that state law restricts, which is the case in most of the counties in our sample, they should separately calculate the amount that state law requires the counties to reserve solely for child support enforcement activities. These counties could then establish a designation account for the additional amounts.

**Conclusion**

As of June 30, 1989, at least four counties in California have accumulated excess revenue. Three of these counties calculated substantially higher excess revenue than the amounts we determined that they had accumulated. Moreover, lacking specific guidance on how to calculate the excess revenue, the counties used different methods. Even though required by the State, one county was not calculating its excess revenue, and three counties have not established accounts to restrict the use of their excess revenue. As a result, counties cannot ensure that the excess revenue they receive will be used solely to finance future child support enforcement activities, as required by law.

In addition, the department has neither reviewed the counties’ calculations of excess revenue nor determined whether the counties have established reserve or designation accounts to restrict the use of their excess revenue. Consequently, the department cannot ensure that counties are complying with state law.

**Recommendations**

To ensure that counties comply with Sections 15200.1 and 15200.2 of the Welfare and Institutions Code, the Department of Social Services should take the following actions:

- Request that the State Controller's Office modify Section 19.52 of the "Accounting Standards and Procedures for Counties" to specify the types of revenues and costs that counties should include in the formula for calculating excess revenue and for identifying the sources of the revenues and costs counties include in their calculation of excess revenue. The formula should specify whether counties should use actual revenue and cost figures or estimates to calculate excess revenue. In addition, Section 19.52 needs to be modified to require that counties establish a reserve account for excess revenue that is legally restricted by Sections 15200.1 and 15200.2 of the Welfare and Institutions Code;
- If counties use estimates to calculate excess revenue, require counties to adjust their calculations after the actual revenue and cost figures are known;
- Inform county district attorneys' offices and auditor-controllers' offices that they must establish reserve accounts for their excess revenue and that they should reserve only those amounts that are legally restricted by Sections 15200.1 and 15200.2 of the Welfare and Institutions Code; and
- Periodically review the counties to ensure that they are properly calculating their excess revenue and are restricting the use of that excess revenue to financing future child support enforcement activities.



We conducted this review under the authority vested in the auditor general by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

A handwritten signature in cursive script, reading "Kurt R. Sjoberg", written over a horizontal line.

KURTR. SJOBERG  
Acting Auditor General

Date: April 5, 1990

Staff: Steven L. Schutte, Audit Manager  
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Jay D. Dore

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



April 3, 1990

Mr. Kurt S. Sjoberg  
Acting Auditor General  
Office of the Auditor General  
660 J Street, Suite 300  
Sacramento, CA 95814

Dear Mr. Sjoberg:

OFFICE OF THE AUDITOR GENERAL'S (OAG) DRAFT AUDIT REPORT P-820 ENTITLED  
"CHILD SUPPORT ENFORCEMENT: COUNTIES ARE NOT PROPERLY CALCULATING OR  
RESTRICTING THEIR EXCESS REVENUE"

Mr. Clifford Allenby, Secretary, Health and Welfare Agency, has asked me to  
review and comment on the above named OAG draft audit report. Attached are  
the comments prepared by the State Department of Social Services (SDSS) in  
response to the recommendations contained in this report.

The SDSS staff appreciates the many opportunities you have provided us to  
furnish information and comment on your audit findings during this audit.

If you have any questions regarding our comments, please contact me at  
(916) 445-2077, or have your staff contact Mr. Robert A. Horel,  
Deputy Director, Welfare Program Division, at (916) 322-2214.

Sincerely,

A handwritten signature in cursive script, reading "Linda S. McMahon", is positioned above the typed name.

LINDA S. McMAHON  
Director

Attachment

## DEPARTMENT OF SOCIAL SERVICES RESPONSE

Following are the Department of Social Services' (DSS) comments in response to the audit findings contained in the Office of the Auditor General's (OAG) draft audit report entitled "Child Support Enforcement: Counties Are Not Properly Calculating or Restricting Their Excess Revenue."

I SOME COUNTIES ARE NOT PROPERLY CALCULATING THEIR EXCESS REVENUE AND ARE NOT RESTRICTING THE USE OF THEIR EXCESS REVENUE

### OAG RECOMMENDATION

Request the State Controller's Office to modify Section 19.52 of the "Accounting Standards and Procedures for Counties" to specify the types of revenues and expenses that Counties should include in the formula for excess revenue.

### DSS RESPONSE

The DSS agrees that the calculation for determining excess revenues as currently contained in Section 19.52 of the State Controller's Office's Accounting Standards and Procedures handbook is not detailed sufficiently to assist Counties in determining the correct incentive amounts and expenditures for calculating excess revenues which must be kept to support the Child Support Program (CSP), as required under Welfare and Institutions Code Sections 15200.1 and 15200.2. The DSS will, therefore, request that the State Controller modify the appropriate section in the Accounting Standards and Procedures handbook to include the types of revenues and expenditures that should be used in the calculation of excess revenues. Further, we will consider the options available when we develop the calculation for determining excess revenue, including adjustment of estimates to actuals.

### OAG RECOMMENDATION

Inform Counties that they must establish a reserve account to restrict their excess revenue solely to financing future child support enforcement activities.

### DSS RESPONSE

The DSS agrees that the establishment of a reserve account would aid in restricting the possibility of other County uses of the designated CSP excess revenue funds. The DSS will, therefore, issue an instructional letter to the Counties which will include the OAG's recommendation to set up reserve accounts for restricting the use of the CSP excess revenues.

#### OAG RECOMMENDATION

Periodically review the Counties to ensure that they are properly calculating their excess revenue and are restricting the use of the excess revenue to financing future child support enforcement activities.

#### DSS RESPONSE

The DSS agrees with the findings and recommendation. Therefore, DSS will develop and implement a plan to periodically review Counties to ensure that they are properly calculating excess revenue and are restricting the use of the excess revenue to financing future child support enforcement activities.

cc: Members of the Legislature  
Office of the Governor  
Office of the Lieutenant Governor  
State Controller  
Legislative Analyst  
Assembly Office of Research  
Senate Office of Research  
Assembly Majority/Minority Consultants  
Senate Majority/Minority Consultants  
Capitol Press Corps